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# Report of the Commission to Assess the Impact of Increased State Spending on the University of Maine System

Maine State Legislature

Office of Fiscal and Program Review

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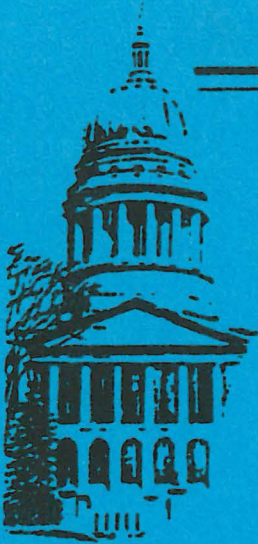
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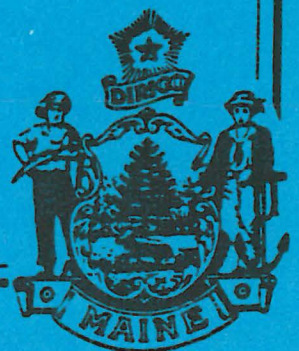
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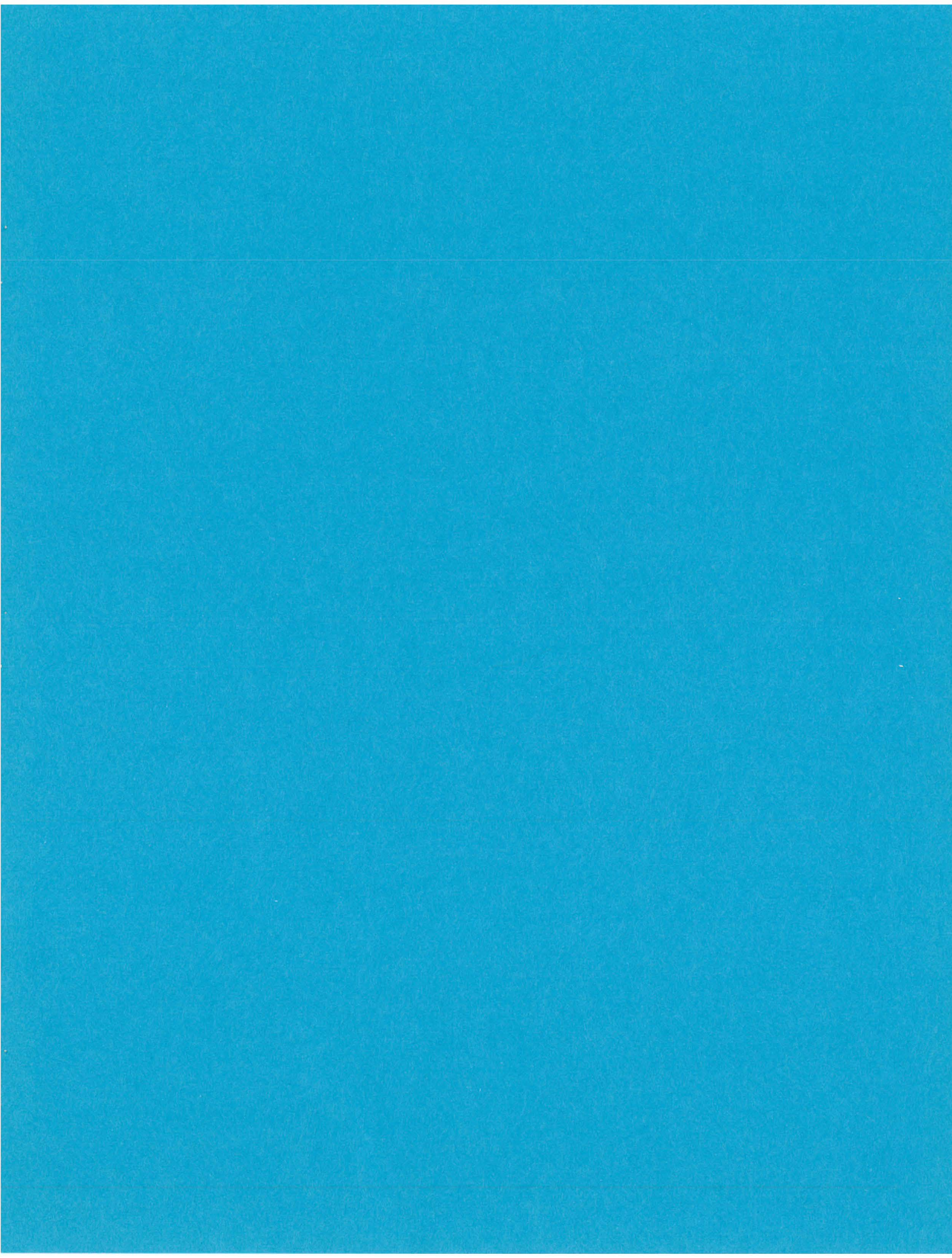
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COMMISSION TO ASSESS  
THE IMPACT OF  
INCREASED STATE SPENDING  
ON THE  
UNIVERSITY OF MAINE SYSTEM**



JAN 3 1991







**REPORT OF THE**

**COMMISSION TO ASSESS THE IMPACT OF**

**INCREASED STATE SPENDING ON THE**

**UNIVERSITY OF MAINE SYSTEM**

**DECEMBER 1990**

**Legislative Members**

Rep. John O'Dea, Chair  
Sen. Stephen M. Bost  
Rep. James V. Oliver

**Faculty Members**

Dr. James M. Acheson  
Sharon Zimmer-Boucher

**Student Members**

Mark Sirois  
Dean Smith

**Representing the Board of Trustees**

Patricia Collins

**Representing the Chancellor's Office**

J. Michael Orenduff (Non-Voting)

**Staff Consultants**

Grant Pennoyer  
B. Russell Smith

Copies of the Appendix to this Report will be available after January 15, 1991 upon request from the Office of Fiscal and Program Review, Maine State Legislature.



## FOREWORD

The original intent of establishing the Commission to Assess the Impact of Increased State Spending on the University of Maine System was to look at how effectively the University was utilizing the recent increases in the level of state funding. However, since the inception of the Commission, the emphasis soon focused on the 1990-1991 biennium reductions in the increases in state support to the University. The focus of testimony and the conclusions of the analysis of this report highlight the effect of these reductions.

The Commission became particularly disturbed by recent budget developments. The original \$9.6 million appropriation reduction of the 1990-1991 biennium was a major setback for the University of Maine System, which seriously affected morale within the System. If the University is expected to meet the 15% reductions in its third and fourth quarter allotments for Fiscal Year 1991 as proposed by the Governor at the November 30, 1990 news conference, the University of Maine System will be forced to further reduce its budget for the remainder of Fiscal Year 1991 by \$11,132,425 beyond the \$9.6 million deappropriation. In addition, new target levels for the 1992-1993 biennium result in further cuts from the levels currently appropriated for Fiscal Year 1991.

In 1977, the University's appropriation was reduced by \$2.8 million or 7.6%. This reduction had a dramatic impact on the University's quality and employee morale for the next decade. The currently proposed reductions are actual reductions, rather than reductions in increases. The proposed targets will reduce the University's appropriation by \$2.5 million or 1.8% from the 1990 appropriation. However, this reduction, unlike 1977, would be imposed in the middle of an operational year which effectively doubles the impact. An additional \$1.6 million or 1.2% reduction from 1991 targets is being proposed for 1992 funding.

When compared to the original appropriation to the University of Maine System for 1991 of the First Regular Session of the 114th Legislature, these reductions are even more dramatic. The 1991 target represents a \$17.7 million or 11.4% reduction from the original 1991 appropriation. The 1992 target is a \$19.3 million or 12.5% reduction from the original 1991 appropriation. Even the target for 1993 is \$10.8 million below the original 1991 appropriation.

The Commission hopes that the Governor and the Legislature have gained an historical perspective on the impact of the budget cuts on the University in the late 70's and avoid future financial errors. A University of Maine System adequately funded is an important investment in the future of Maine.

## **GENERAL FINANCIAL HEALTH**

The Commission conducted a standardized analysis of a set of ratios specifically developed for higher education institutions to assess the credit worthiness, asset allocation, and general financial health. This analysis indicated that the University of Maine System has maintained a record of good overall financial standing through 1990. However, this analysis only begins to demonstrate the effect of the 1990-1991 biennium reductions in the General Fund appropriations to the University of Maine System. The Commission noted with concern what appears to be a general decline in many of these ratios from recent peaks in either 1987 or 1988. The greatest impact of the reductions will occur in 1991 which could not be included in this analysis. Therefore, it is likely that these downward trends will be exacerbated for 1991.

This analysis also provided an overall picture of the trends in University funding sources and uses. One of the most prominent trends has been the decline in Federal Revenue; its share has been reduced by nearly one-half since 1980. State support has had to make up the greatest part of this reduction in federal support. Although tuition and fees have generally been declining as a share of the total, the reductions in the state's General Fund appropriations to the University will reverse this trend and again place a greater burden on students. In addition, the decline in federal revenue has had its greatest impact on Student Aid.

## **AGGREGATE LEVEL OF STATE FUNDING**

The late 1970's had a significant impact on the level of state funding of the University of Maine System. The negative real growth during this period combined with other factors, such as the increase in state support of local education, and decreased the University's share of both General Fund revenue and total education expenditures.

Overall, State support to the University has improved during the 80's. The \$15 million down payment recommended by the Visiting Committee to the University of Maine provided much needed catch-up funding and a tremendous boost to employee morale and program quality.

While the University still received a 6% annual increase in 1990-1991 appropriations following the reductions, its increases lagged behind the growth in appropriations for the Department of Educational and Cultural Services, the Maine Technical College System, and the Maine Maritime Academy. The University's appropriation increases even lagged behind the growth in total General Fund appropriations during the 1990-1991 biennium.

## CAMPUS AND MISSION ALLOCATIONS

The University of Maine System budget allocation process is affected by a number of different factors, including individual campus decisions, which make it difficult to draw conclusions about the funding policy of the Board of Trustees. Legislative initiatives have also affected this allocation process. In many instances, the distribution of the University's Educational & General appropriation is based on a formula for equity purposes. This was the case for the allocation of the 1990-1991 reductions, which were distributed based on each campus' share of the 1989 total Educational and General budget.

Since 1986, the budget and the General Fund appropriations to each of the campuses have grown and, with the exception of the 1990-1991 biennium, they have grown in real terms. However, the 1990-1991 reductions, with few exceptions, represent a real decline in the level of state support for each of the campuses. The two most notable exceptions are the University of Maine at Augusta and the University of Southern Maine. These campuses received funding increases for two of the most recent new initiatives of the System, the Community College of Maine and the Lewiston-Auburn College, respectively.

In reviewing programs and capabilities of the campuses of the University, it became clear that one of the University's strengths is its diversity among campuses. Students benefit from this in terms of academic offerings and scope of educational setting. The State benefits by having such diversity for its citizens without unnecessary duplication.

The Commission encourages the University System, in accordance with the Visiting Committee Report, to continue to refine campus missions in order that campuses serve various geographical areas as well as a diversity of students and constituencies. The University of Maine should develop graduate and research programs in those areas where that campus can compete nationally, while maintaining strong undergraduate programs in all of its colleges. The University of Southern Maine should continue to evolve as a Comprehensive Urban University with limited graduate programs. The University of Maine at Farmington, University of Maine at Fort Kent, University of Maine at Machias, and University of Maine at Presque Isle should continue to be developed as baccalaureate granting institutions. Additionally, the University of Maine System should develop a community college component, a task which has been delegated to the University of Maine at Augusta. The Commission encourages each campus to fulfill its unique mission with excellence in mind.



## **ACTIVITY AND EXPENDITURE ALLOCATIONS**

The analysis by the Commission of the expenditure and activity allocations of the individual campuses highlighted that the University of Maine System was forced to cut back in many of the same activities and expenditures during the 1990-1991 biennium that received additional attention as part of the \$15 million down payment in 1987. In particular, travel and equipment received the largest increases during 1987, but have also been targeted for the largest reductions during the 1990-1991 biennium.

## **HUMAN RESOURCES**

The largest portion of the appropriation increases of the 1988-1989 biennium went into badly needed salary increases. Since a university system is only as good as its people, this was an appropriate first priority. University of Maine System faculty salaries have improved dramatically in recent years. In Fiscal Year 1981, University of Maine faculty salaries were ranked 49th in the nation when compared to faculty salaries paid at the major public university in each of the 50 states. That ranking has improved to 31st in Fiscal Year 1990. Salaries for faculty and staff, while still below national averages, are at least competitive. Also included in the increases was the implementation of the revised job classification system which positively impacted employee morale. Consequently, the System has been better able to attract and retain highly qualified and talented faculty and staff.

The \$15 million down payment was used to supplement a number of areas other than compensation such as out-of-state travel and equipment purchases. However, these expenditures also contributed to improved faculty morale through expanded faculty development programs and improved working environments. At a number of the campuses full-time faculty were added which further improved faculty working conditions and student/faculty ratios.

The Commission was presented with testimony and evidence that these improvements in morale have been seriously affected by the recent budget reductions. The budget reductions, as noted previously, hit hardest in travel budgets and equipment purchases, directly affecting faculty development programs and improvements in faculty equipment.

**The Commission urges the University to maintain faculty salaries at nationally competitive levels.**

Compensation represents more than 75% of total Educational and General expenditures, and is closer to 80% at some of the campuses. Given this sizable share of compensation related expenses, the budget reduction proposals necessitated that some of the reductions be realized through lay-offs. Despite an early retirement incentive program, the University was forced to lay-off 160 full-time equivalent positions. These lay-offs were implemented according to collective bargaining agreements. However, the Commission did hear testimony that some of the problems in the lay-off process resulted from a less than complete knowledge of the contracts by some administrators.

**The Commission recommends that administrators within the University System become familiar with the collective bargaining contract provisions, particularly as they apply to policies regarding notification of lay-offs.**

## **STUDENTS AND STUDENT COSTS**

Tuition and the University's Educational and General appropriations have grown at varying rates since the 1968 merger, but in the last two years tuition has been growing faster than the state appropriation. The current total annual cost of an education for all in-state on-campus undergraduate student is \$15,730 per student of which the student and family pay \$8,149 or 51.8%. This cost has increased from the 1986 level of \$10,192 for total cost per student with the student and family paying \$6,083 or 59.7% (just prior to the \$15 million down payment).

Federal support for student financial aid has remained virtually steady from Fiscal Year 1985 to 1989, while University support for the same period has grown at an average annual rate of 9.5%. This is due to the priority that the Trustees place on providing financial resources for needy students, especially in times when tuition is increasing at a faster rate than inflation. Despite increases in support from University sources and the State, student aid as a share of the Educational and General budget has been steadily declining. The Commission was also concerned with the make-up of the financial aid to students which demonstrated an increase in the reliance on loans versus scholarships and grants.

The decline in financial aid, increasing tuition rates in excess of inflation, and a heavier reliance on loans within student financial aid packages place a greater burden for meeting education costs on the student and family. The end result is that fewer students will be financially capable of attending the University.



**The Commission supports and commends the Trustees for providing increased financial aid to needy Maine students during periods of increased tuition costs.**

## **FACILITIES, MAINTENANCE, AND BORROWING**

The increase in state funding has been used to leverage increases in private support. The Pride and Promise Campaign, a private fund raising program intended to supplement recent bond issues is possible in large measure because the public perceives the University of Maine System as a quality system worth supporting.

**While the Capital Campaign is a much needed and justified capital program, the Commission urges the University to incorporate capital renewal and modernization of existing buildings as a priority and alternative in its capital planning.**

The University is able to fund only about one-half the maintenance expenditure level as recommended by the Joint Standing Committee on Audit and Program Review. The March 1988 Audit and Program Review report recommended budgeting maintenance at 1.5% of estimated building value. The lack of adequate funding for maintenance results in the harmful and more expensive practice of deferred maintenance. This practice results in additional future costs when relatively simple maintenance projects become major ones due to delaying early corrective action. It also places students, faculty, and employees at risk if safety related projects are delayed. To address this issue, the Trustees have requested increased Part II appropriation support of \$1.0 million in Fiscal Year 1992 and an additional \$1.5 million in Fiscal Year 1993 to substantially address ongoing maintenance.

**The Commission supports the Trustees supplemental request and encourages the University to continue to increase maintenance budgets until they reach the 1.5% goal and address deferred maintenance issues as funding becomes available.**

## **AUXILIARY ENTERPRISES, RESEARCH AND OTHER FUNDING**

The University of Maine has had a weak track record of attracting research funding when compared to other land-grant institutions in New England. Research benefits not only the University system through increased funding and prestige, but it also benefits the general public through studies of environmental problems, agriculture, forestry, fishing, and other areas requiring attention as a result of federal mandates. However, the University of Maine is trying harder to increase external support of research as evidenced in its increased submission of proposals, increased faculty involvement and increased awards. From Fiscal Year 1989 to Fiscal Year 1990 there were increases of 23% in proposals submitted, 14% more faculty involved, 29% more dollars requested, 30% more awards approved and 21% more funds received.

**The Commission applauds the University of Maine for the growth in the research area during the past two years and encourages it to continue with this progress.**

The Commission had a limited amount of time to review a number of other complex and sometimes controversial funding issues such as athletics, auxiliary enterprises, endowments and discretionary accounts. Although the state may have no statutory control over the use of many of these funds and accounts, the Governor, Legislators, and the general public are logically concerned with the proper use of all University of Maine System funds given the size of the state's financial commitment to the University.

**The Commission urges the University of Maine System to be aware of this public scrutiny of all university funds and to avoid expenditures which might be perceived as improper. This will be particularly important in the trying financial times to come. Academics should be given highest priority in the use of any funding.**

**The University should also continually evaluate the efficiency and the charges of the self-supporting, auxiliary enterprises to insure the efficient use of student dollars. If auxiliary enterprises can not be self-supporting, contracting with private firms should be considered.**



Given past criticisms of the financial commitment to athletics at the University of Maine and the current budgetary problems, it might be prudent to scale down the level of competition and cost. Thus, the Commission recommends that the President of the University of Maine seek to negotiate with the Presidents of the other comparable Universities in New England and the Middle Atlantic States to form a new Yankee Conference in which athletic scholarships, coaching, staffs and other costs be limited.

## **PENDING FUNDING PROPOSALS**

Recognizing the current economic conditions, the University understandably shared in the belt-tightening that was necessary. However, it is important that the progress made in recent years not be lost. The deappropriation of the current biennium and proposed future reductions threaten the progress that has been made in creating a public university system to serve the people of Maine as we move into the twenty-first century.

The Commission recommends that the University of Maine System receive a high priority in any budget deliberations. If additional reductions become necessary due to State economic conditions, it is the opinion of the Commission that the number of programs and/or access to those programs will have to be reduced or eliminated to preserve the quality of remaining mission-related programs.

## **TOPICS FOR FURTHER REVIEW**

The charge to the Commission was intentionally broad, consequently there were a number of topics which the Commission did not consider but are nevertheless worthy of further review.

The Commission recommends that the Joint Standing Committee on Education consider the following and make recommendations, where appropriate, to the Board of Trustees, Chancellor and full legislature.

- Honors Programs
- Academics vs. Public Service
- Admission Standards
- Preparation of Underprepared Students
- Academic Excellence
- Cost of Graduate Programs

